



# Examiners' Report Principal Examiner Feedback

October 2020

Pearson Edexcel GCE AS Level  
In Business (8BS0)  
Paper 1: Marketing and people

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**Introduction:**

There was a very small number of entries to this paper and the overall standard was low in comparison to Summer entries. Students understanding of key Theme 1 terminology was poor resulting in students not attempting questions or achieving no marks. A firm understanding of the terminology is essential for students in all questions.

**Question 1(a):**

Students were able to show some understanding of business to business marketing and made use of examples to support their definitions. Some students struggled with their understanding and attempted to lift information from the extract to provide an example without showing knowledge or understanding.

**Question 1(b):**

The majority of students were able to show some knowledge of sole traders, but very few achieved 2 marks as they were only able to identify one aspect of the definition. Many students were confused between the ownership and the operating of this type of business which requires clarification during teaching.

**Question 1(c):**

Generally well answered, with many students being able to show knowledge and analysis of market orientation. As in previous years, students struggle to apply their answers by using the business context. There are two application marks available in explain questions and students should be encouraged to make good use of the extracts to gain these marks.

(c) Explain how market orientation could benefit Hydra Creative.

(4)

- Market orientation is when a business conducts Market research on products to match the needs of its potential customer, making it more appealing / and tailor its products.
- By conducting Market orientation Hydra Creative can know about what their customers want by doing research they can produce the products which therefore, will attract the customers as a result they will have better customer understanding and customers will prefer buying their products over its competitors.

This is a generic response showing knowledge and analysis, but no use of the business context. Recall of information is not adequate to obtain high grades, students must be able to answer in context. This response achieved 2 marks.

(c) Explain how market orientation could benefit Hydra Creative.

(4)

Market orientation is when the business focuses on meeting the needs and wants of customers, putting customer ~~advice~~ needs as a priority. In this case Hydra creative have improved their promotion of their company<sup>as they responded to customer feedback</sup>, ensuring that sales of traditional services don't fall. As a result, as Hydra ~~top~~ prioritised customer needs and wants, it has lead to the customers expectations met. Due to this, it could lead to ~~higher~~ more satisfied customers, leading possibly to more brand loyalty. Therefore, this could lead to repeated purchases leading to less price<sup>sensitive</sup> customers, allowing Hydra to charge premium pricing. Consequently this could allow Hydra to benefit from high levels of sales / sales volume leading to a higher profit margin.

This response provided an accurate definition as well as making use of the evidence in the extract to explain and analyse, achieving the full 4 marks.

### Question 1(d):

The vast majority of students were able to show good understanding of extension strategies in relation to the product life cycle, but again many failed to apply their knowledge to the business context.

(d) Explain **one** reason why Hydra Creative might use an extension strategy. (4)

one reason to using an extension strategy is to improve the sales. This is because the sales for ~~brand new~~ traditional services, e.g. stationary design, is in the decline stage of the product life cycle. Thus, using an extension strategy ~~can~~ may help Hydra Creative to boost sales for stationary designs. For example, they could increase their advertisement to raise more awareness. As a result, this prevents Hydra Creative from losing its branding which may be its traditional services.

This response shows knowledge and analysis in context by referring to 'traditional services' and 'stationary designs' showing good use of the extract. The response was awarded 4 marks.

### Question 1(e):

Students showed a lack of understanding or familiarisation with this element of the specification and as a result several did not attempt the question. Of those students that did attempt to provide a response very few were able to show an adequate level of understanding or apply it to the business context. Discussions of leadership styles or business ownership types were seen instead of the required knowledge.

**Question 1(f):**

The majority of students were able to demonstrate some understanding of private limited companies although some discussed it in comparison to a Public limited company rather than a sole trader, thereby demonstrating a lack of understanding of the business context. Students should be advised to use the correct abbreviation for private limited company (Ltd.) rather than shortening it to Plc.

**Question 2(a):**

Most students were able to provide two correct entrepreneurial motives although it is important that they understand the distinction between roles, characteristics and motives as there was evidence of some confusion.

2 (a) State **two** examples of entrepreneurial motives. (2)

Being determined to start up your own business

This response provides an entrepreneurial characteristic rather than a motive and therefore achieves 0 marks.

2 (a) State **two** examples of entrepreneurial motives.

(2)

One entrepreneurial motive is profit maximisation ;  
to maximise the amount of profits made by the business.  
~~Another~~ Another entrepreneurial motive is to ~~be~~ be their  
own boss and take ownership within their business. This  
leads to self-satisfaction.

This response provides two correct entrepreneurial motives and achieves the full 2 marks.

**Question 2(b):**

Another term that was poorly understood by students and often confused with paid advertising by celebrities.

(b) What is meant by sponsorship?

(2)

This refers to a someone else such as another firm  
providing financial ~~or~~ support to another firm  
or celebrity in order for them to conduct a task  
such as promote coconut as a 'superfood'

This is a full mark response; the student shows a good understanding of the term and an attempt to apply it to the business context.



**Question 2(c):**

The majority of students were able to provide a correct definition of opportunity cost, but many struggled to apply their answer to Zack therefore losing application marks.

(c) Explain how opportunity cost might have applied to Zack when he chose to set up Ape Snacks.

(4)

An opportunity cost is a cost that a business has to give up for another cost you gain. For Zack, his opportunity cost was ~~the~~ starting a healthy snack line by dropping out of university. This applies to Zack as he has given up university, to start Ape Snacks.

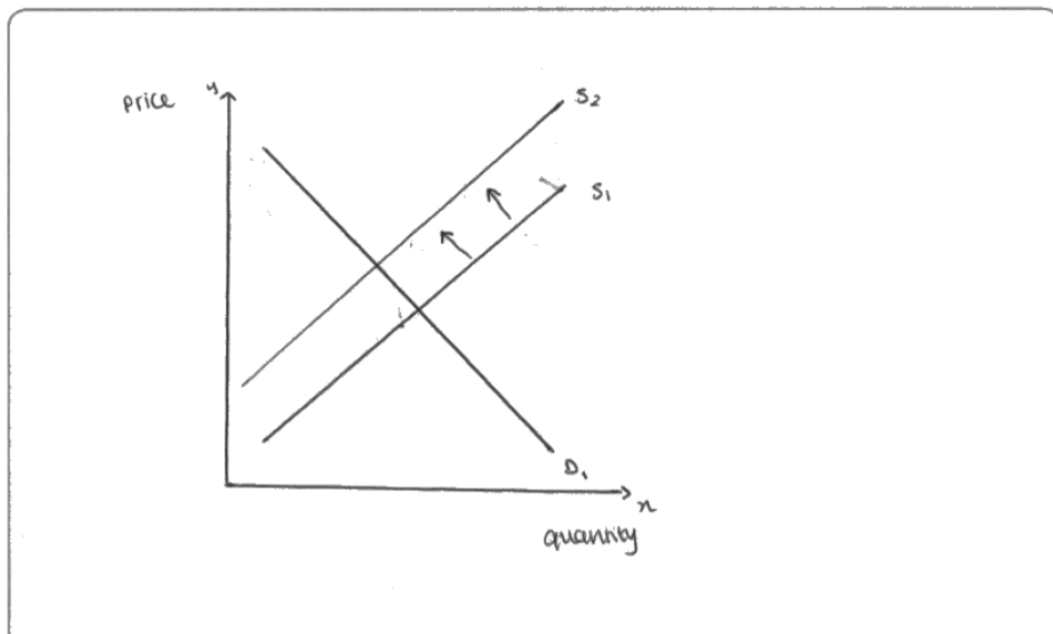
This response shows an understanding of the term and application to Zack's situation. Analysis of their point to explain the potential consequences of Zack's decision would have been an opportunity to gain both the analysis mark and the second application mark. This response achieved 2 marks.

### Question 2(d):

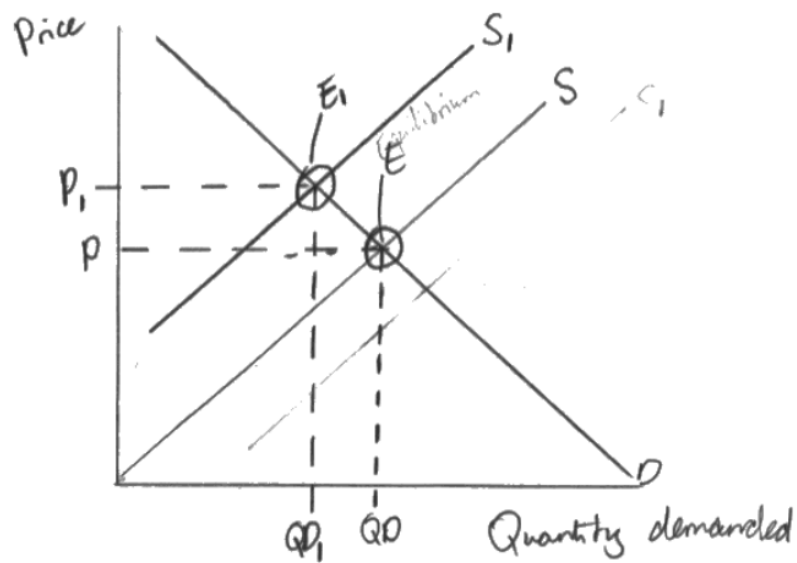
Very few students achieved full marks in this question suggesting the need for further practice of supply and demand diagrams relating to a range of scenarios. Students that were able to correctly construct and label the diagram, often shifted both the demand curve and the supply curve showing a lack of understanding of the question and the factors affecting demand and supply.

(d) Using the data from Extract B, construct a supply and demand diagram to illustrate the impact of ageing coconut trees on the existing coconut market.

(4)



Although this response shows a correctly constructed and labelled diagram, the student has not shown the original and new equilibrium and the consequences on the quantity and price axes and therefore do not gain the analysis mark. This response was awarded 3 marks.



This response clearly shows the shift in supply, the original and new equilibriums and the corresponding consequences on the price and quantity axes. This response was awarded full marks.

### Question 2(e):

This question provided further evidence that students do not have a clear understanding of factors affected by demand or supply. Some students attempted to make use of the extract, incorrectly selecting the evidence relating to supply of coconuts rather than identifying factors that could affect demand for Ape Snacks.

Students also struggled with the requirement of the 8-mark questions which was seen in both Q1(e) and Q2(e) suggesting further practice of this type of question using past papers would be beneficial. Those students that were able to provide one or two demand factors then struggled to assess their points.

(e) Assess **two** factors that could cause a change in demand for Ape Snacks.

(8)

one factor that may cause a change in demand is a change in consumer preferences. Due to the dynamic market consumer tastes are constantly changing due to new trends, this means that healthy snack companies such as Ape Snacks may fall out of fashion. as a result demand may decrease for Ape Snacks, so in order to ~~stay~~ ~~within the~~ keep up with the dynamic market Ape Snacks may need to invest in creating new products to attract consumers.

Another factor that could cause a change in demand for is a change in consumer income. This means ~~that~~ that if a recession hits the economy, consumers are more likely to have low disposable income. As a result they ~~may~~ would instead buy ~~necessaries~~ less luxury goods like ~~healthy coconut snacks~~ Ape Snacks healthy coconut products and instead focus on buying necessities. Therefore decreasing demand for Ape Snacks.

This response provides two correct factors that are analysed with some context, but no attempt at assessment. The response achieved Level 2, 5 marks.

(e) Assess **two** factors that could cause a change in demand for Ape Snacks.

(8) Q02e

8

Demand is the quantity wanted in the market at a given price at a given period of time.

One factor could be changing consumer tastes. Due to the rise in the coconut-based products due to celebrity endorsements and coconut being branded as a 'super-food', Ape Snacks may experience a rise in demand as customers want to experience this new trend in coconut products. However, as Ape Snacks ~~the~~ only produces coconut-based foods, the and the trend ~~may~~ it also includes coconut oil, customers may not purchase Ape's snacks. This is because the coconut trend may be dominated by celebrities ~~spons~~ endorsing coconut hair oil. This will ~~lead to~~ not lead to a large increase in coconut snacks ~~made~~ made by Ape Snacks.

Another factor is changing ~~consumer~~ consumer incomes. ~~At~~ During a recession,

If consumer incomes fall due to rising unemployment, Ape Snacks niche market may experience a huge fall in demand as customers can not afford to pay high amounts of money for trendy snacks. However, as this is a niche market and ~~eco~~ environmentally conscious ~~are~~ consumers may prefer to continue buying healthy and bio snacks, the prices charged by Ape may not be an issue as novelty products that are sold ~~for~~ in niche markets, such as Ape's unique snacks may not be income elastic. This will mean that Ape may ~~does~~ not suffer from a significant drop in demand.

This response provides two correct factors which are analysed in context. The Student also provides assessment of both factors with further context. This response achieved 8 marks.

#### Question 2(f):

As in previous years there was confusion between the design mix and the marketing mix. Students that did show an understanding of the design mix were also able to identify relevant current social trends, but struggled to explain how the current social trends could affect the design mix of Ape Snacks. Several students did not attempt this question which may be an indication of a lack of understanding or time management issues.

### Question 3:

This question was attempted by the majority with evidence that most spent a considerable amount of time on it. However, several students confused cost and price when discussing the option to reduce costs, interpreting the reduced cost as a lower cost to the customer rather than the business. Analysis and assessment were limited in the majority of responses suggesting a need for students to further develop these skills through practice of exam technique.

- FC, VC
- 3 To prevent further business failure Jamie could either reduce costs or adapt to market changes. ~~takeaway~~
- Evaluate these two options and recommend which option is most likely to prevent further business failure.

(20)

To prevent business failure, Jamie has the option to reduce costs. Reducing costs would involve both fixed and variable costs. It has already incurred a loss of £9.9 million and closed 6 restaurants. Jamie could have less restaurants open which would decrease fixed cost since less money would be spent on rent and electricity. This would lower the risk of business failure and help Jamie regain market share and make some loyal customers by perhaps lowering prices on the menu compared to competitors. It could use the strategy of price penetration which would potentially remove some rivals out of business and slowly increase the price which could upset and annoy loyal customers but it would gain more attention from other consumers. Since Jamie blamed the rising costs of ingredients and rent for closing his 6 restaurants down, it could consider to buy more

in bulk which would lower the price per unit and perhaps look for restaurants in other areas with lower rent costs.

Another option, Jamie could take into account would be adapting to the market changes such as social trends and tastes. If Jamie were to come up with a new, unique menu compared to his competitors it would start to gain consumers since they would want to try and experience the new foods. It could potentially change the way it serves people by adding a take-away option and possibly delivery like Nando's which has "remained successful by adapting to changing tastes." Jamie needs to "stay fresh and relevant" to be in the market as there are constantly new ~~markets~~ restaurants opening in the market.

Overall, lowering costs would be a good solution which could work hand in hand



with adapting to market change since it could use the money it would've spent on rent, on making new, exciting menus, hiring new chefs to bring in new ideas. It could use the money to conduct primary research after secondary to see what the market needs and what Jamie needs to do. Adapting to market changes can be a long and expensive process but it is an investment into his restaurants.

The student shows accurate knowledge and presents some chains of reasoning although these are often incomplete and lack detailed explanation. There is an attempt to apply the answer to the business context, but there is not attempt at assessment. This response achieved Level 3, 9 marks.

